



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
FORMER McLEAN COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES**

February 25, 2001

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FORMER McLEAN COUNTY
SHERIFF'S SETTLEMENT - 2000 TAXES
LESTER H. STATTON (Deceased)

February 25, 2001

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2000 Taxes for former McLean County Sheriff, Lester H. Stratton (Deceased) as of February 25, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The former Sheriff collected taxes of \$2,010,472 for the districts for 2000 taxes. The former Sheriff distributed taxes of \$1,926,493 to the districts for 2000 Taxes. Taxes of \$539 are due to the districts from the former Sheriff and refunds of \$312 are due from the taxing districts.

Deposits:

The former Sheriff's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2000 TAXES	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	9



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry B. Whitaker, McLean County Judge/Executive
Honorable Judy Stratton, McLean County Sheriff
Members of the McLean County Fiscal Court

Independent Auditor's Report

We have audited the former McLean County Sheriff's Settlement - 2000 Taxes as of February 25, 2001. This tax settlement was the responsibility of the former McLean County Sheriff, Lester H. Stratton (Deceased). Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepared the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the former McLean County Sheriff's taxes charged, credited, and paid as of February 25, 2001, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Larry B. Whitaker, McLean County Judge/Executive
Honorable Judy Stratton, McLean County Sheriff
Members of the McLean County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2002, on our consideration of the former Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 1, 2002

McLEAN COUNTY
LESTER H. STRATTON, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES

February 25, 2001

	<u>County Taxes</u>	<u>Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
<u>Charges</u>				
Real Estate	\$ 283,970	\$ 181,540	\$ 1,002,850	\$ 362,321
Tangible Personal Property	20,457	10,142	64,602	51,762
Intangible Personal Property				11,134
Fire Protection	518			
Franchise Corporation Taxes	40,883	21,289	133,373	
Additional Billings	11	7	39	14
Unmined Coal - Additional	41	25	143	51
Unmined Coal - 2000 Taxes	769	478	2,717	977
Penalties	1,456	899	5,090	1,761
Adjusted to Sheriff's Receipt	(85)	(14)	(141)	(11)
Gross Chargeable to Sheriff	<u>\$ 348,020</u>	<u>\$ 214,366</u>	<u>\$ 1,208,673</u>	<u>\$ 428,009</u>
<u>Credits</u>				
Exonerations	\$ 1,282	\$ 811	\$ 4,528	\$ 1,645
Discounts	4,436	2,803	15,513	6,277
Official Receipt for Incoming Sheriff	23,135	14,300	81,276	31,803
Oil Official Receipt for Incoming Sheriff	97	60	343	123
Unmined Coal for Incoming Sheriff	8	5	28	10
Uncollected Franchise Corporation Taxes	24	12	77	
Total Credits	<u>\$ 28,982</u>	<u>\$ 17,991</u>	<u>\$ 101,765</u>	<u>\$ 39,858</u>
Net Tax Yield	\$ 319,038	\$ 196,375	\$ 1,106,908	\$ 388,151
Less: Commissions *	<u>13,847</u>	<u>8,346</u>	<u>44,276</u>	<u>16,784</u>
Net Taxes Due	\$ 305,191	\$ 188,029	\$ 1,062,632	\$ 371,367
Taxes Paid	305,082	188,023	1,062,120	371,268
Refunds (Current and Prior Year)	<u>78</u>	<u>48</u>	<u>274</u>	<u>99</u>
Due Districts or (Refunds Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 31</u>	<u>\$ (42)</u>	<u>\$ 238</u>	<u>\$ 0</u>

*And **See page 4

McLEAN COUNTY
LESTER H. STRATTON, FORMER SHERIFF
SHERIFF'S SETTLEMENT - 2000 TAXES
February 25, 2001
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on		893,564
4% on		1,106,908

** Special Taxing Districts:

Health District	\$	270
Extension District		(266)
Soil Conservation District		<u>(46)</u>

Due District or (Refunds Due Sheriff)	\$	<u><u>(42)</u></u>
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McLEAN COUNTY
NOTES TO FINANCIAL STATEMENT

February 25, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue, which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the former Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of February 25, 2001, the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former Sheriff's agent in the former Sheriff's name, or provided surety bond which named the former Sheriff as beneficiary/obligee on the bond.

McLEAN COUNTY
NOTES TO THE FINANCIAL STATEMENT
February 25, 2001
(Continued)

Note 4. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 26, 2000 through March 12, 2001. Collection responsibilities for 2000 taxes transferred from the former Sheriff to the current Sheriff as of March 12, 2001.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2000. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 23, 2000 through March 12, 2001. Collection responsibilities for 2000 unmined coal taxes were transferred from the former Sheriff to the current Sheriff as of March 12, 2001.

Note 5. Interest Income

The former McLean County Sheriff earned \$1,697 as interest income on 2000 taxes. The former Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office.

Note 6. Sheriff's 10% Add-On Fee

The former McLean County Sheriff collected \$4,304 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

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**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the former McLean County Sheriff Lester H. Stratton Settlement - 2000 Taxes as of February 25, 2001, and have issued our report thereon dated May 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former McLean County Sheriff's Settlement - 2000 Taxes as of February 25, 2001 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former McLean County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
May 1, 2002

